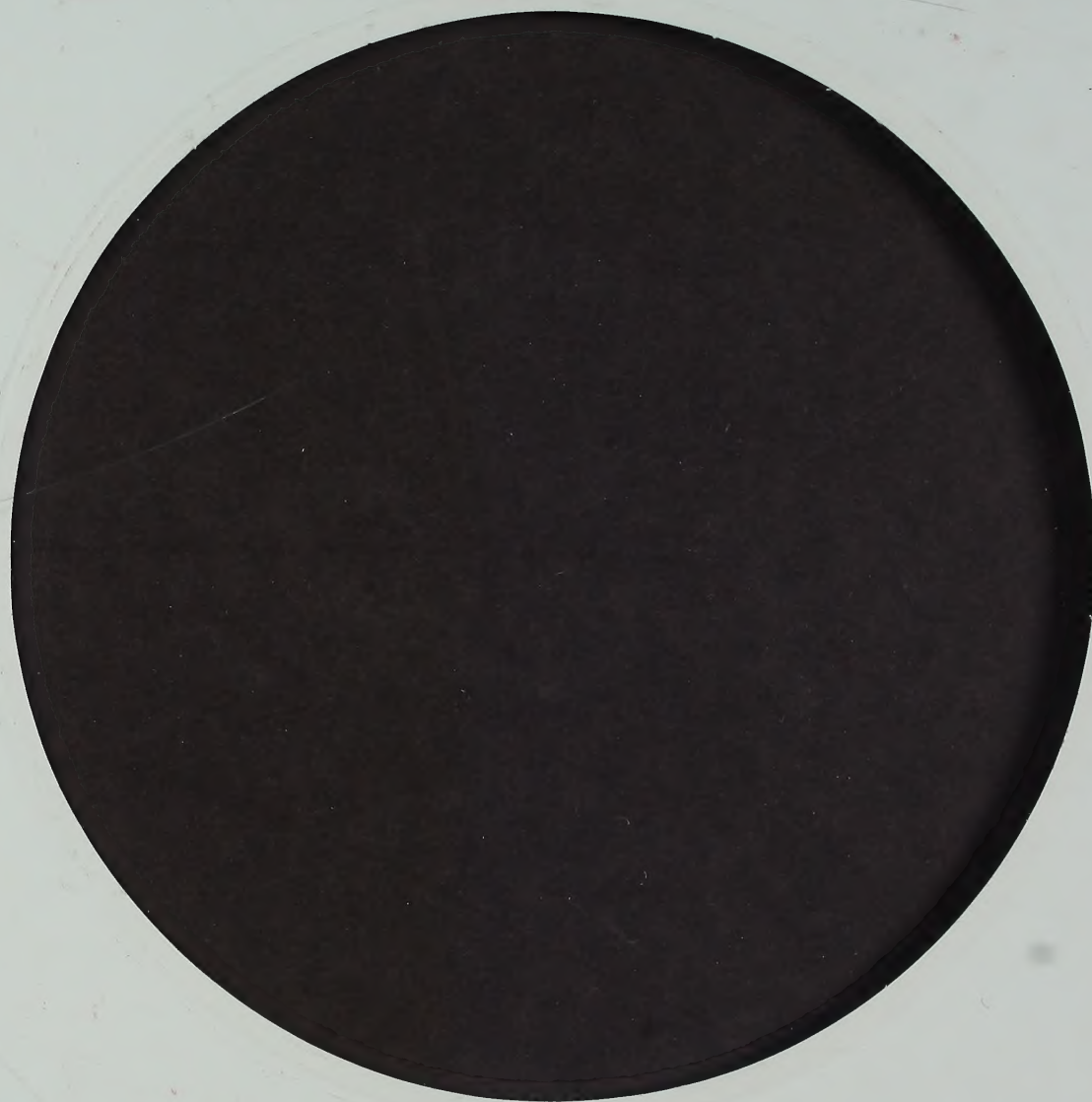




1965 Annual Report





George Weston Limited

APR 22 1966



DIRECTORS

W. GARFIELD WESTON
GEORGE C. METCALF

W. D. MOFFATT

F. C. LENNOX

C. L. GUNDY

W. S. ROBERTSON

F. A. RIDDELL

E. L. JONES

G. E. CREBER

S. J. SMITH

OFFICERS

Chairman - - - - - W. GARFIELD WESTON

President and Managing Director - - - - - GEORGE C. METCALF

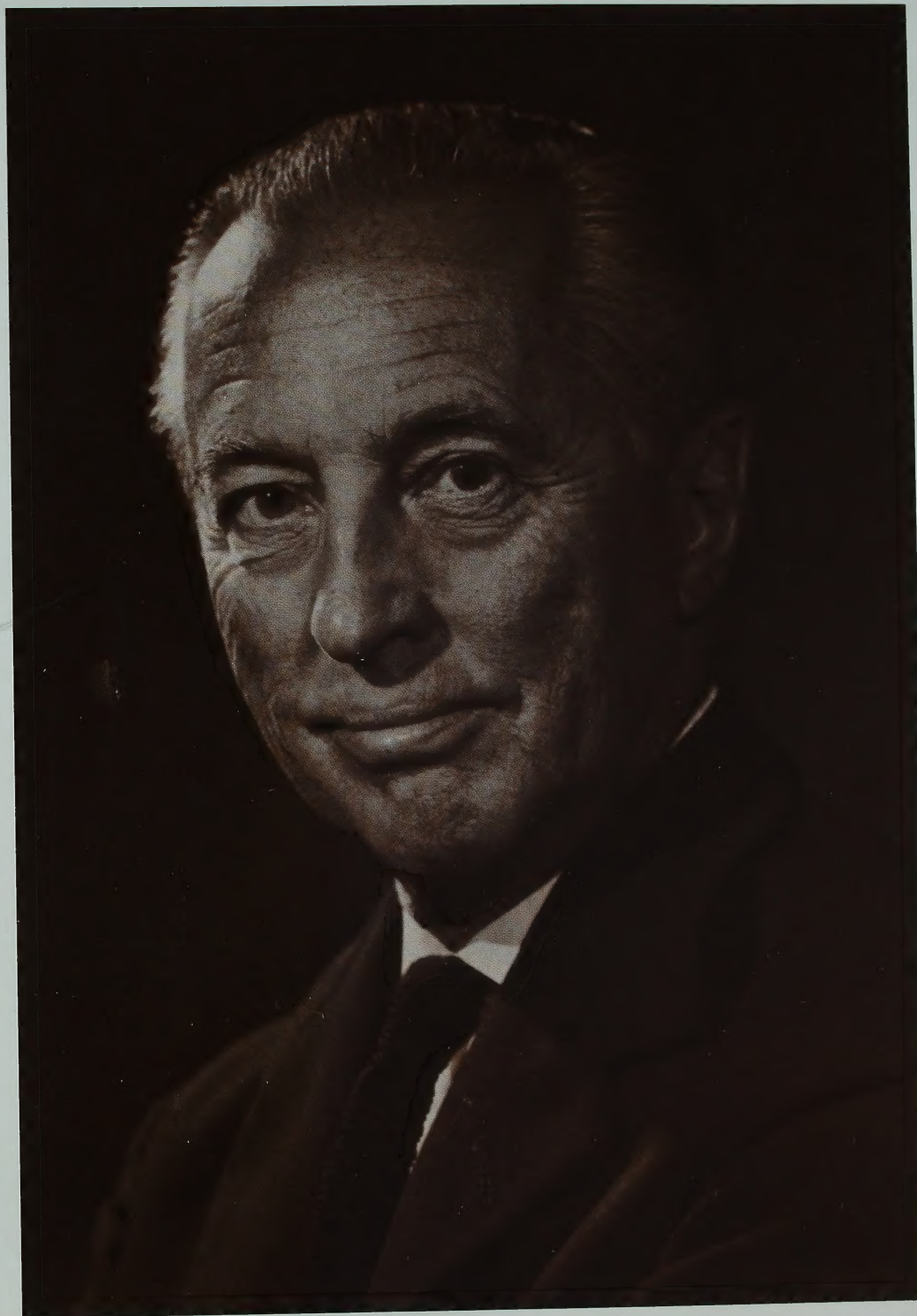
Secretary-Treasurer - - - - - E. L. JONES

George Weston Limited

Financial Highlights

	<u>1965</u>	<u>1964</u>	<u>1955</u>
NET PROFIT AFTER TAXES - - -	\$ 17,102,943	\$ 15,027,152	\$ 3,168,189
EARNINGS PER COMMON SHARE -	\$1.56	\$1.36	\$0.32
DIVIDENDS PAID			
On Preferred Shares - - -	981,796	984,037	531,045
On Common Shares - - -	5,432,866	4,512,852	685,896
	<u>\$ 6,414,662</u>	<u>\$ 5,496,889</u>	<u>\$ 1,216,941</u>
WORKING CAPITAL			
Current Assets - - - - -	119,194,249	114,329,535	29,188,066
Current Liabilities - - - -	60,971,081	52,392,470	16,425,157
	<u>\$ 58,223,168</u>	<u>\$ 61,937,065</u>	<u>\$ 12,762,909</u>
WORKING CAPITAL RATIO - - -	1.95 to 1	2.18 to 1	1.78 to 1
TOTAL ASSETS - - - - -	<u>\$ 259,160,735</u>	<u>\$ 244,021,817</u>	<u>\$ 68,857,899</u>

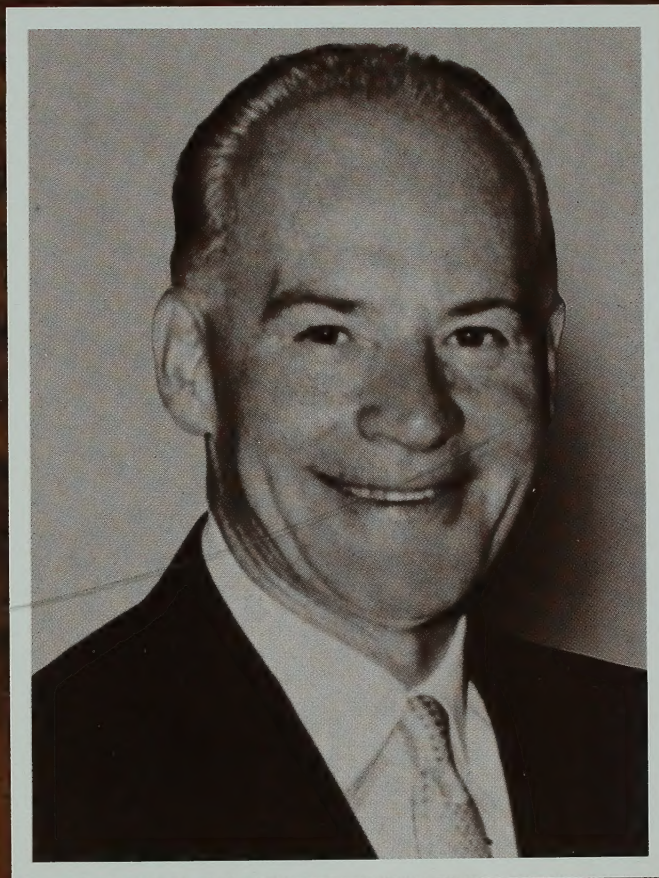
Laurence Weston
Chairman of the Board



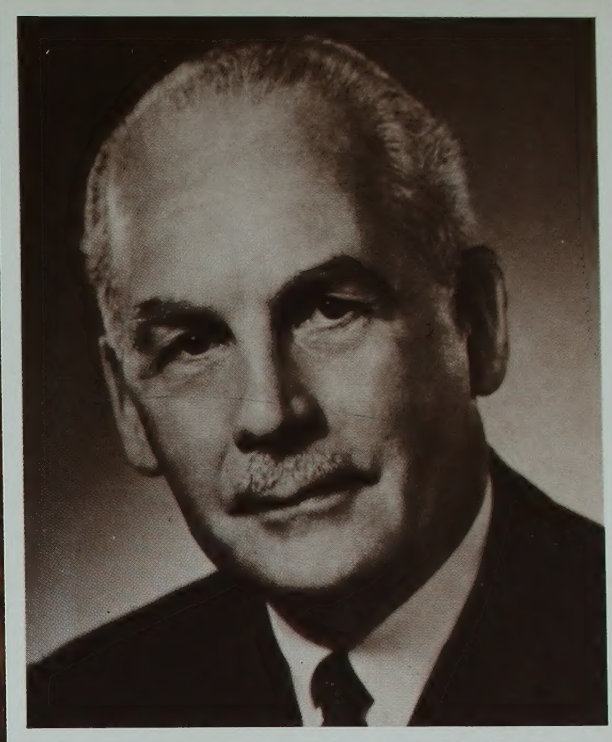
Karsh



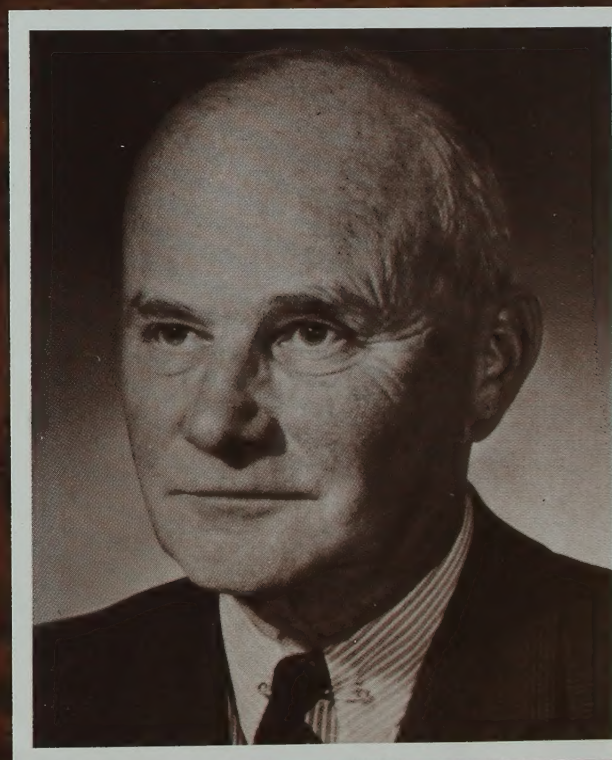
DIRECTORS



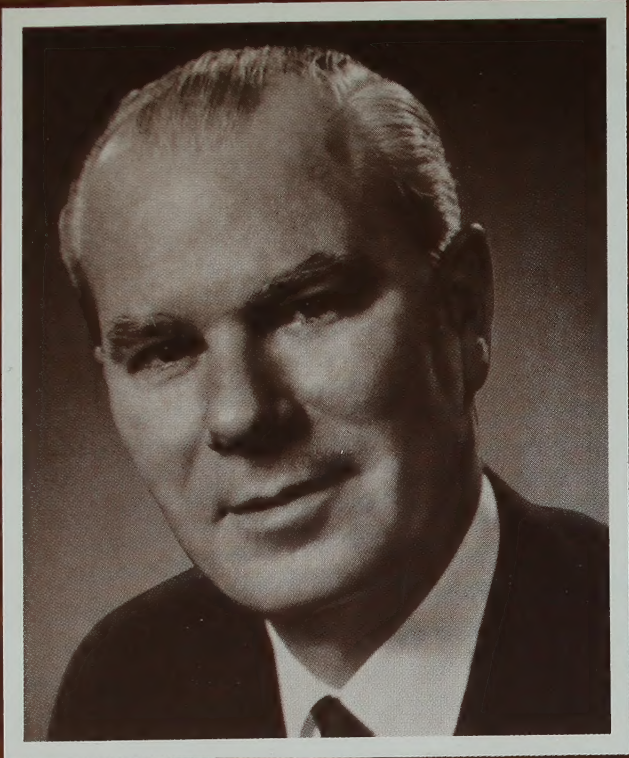
GEORGE C. METCALF
President and Managing Director
George Weston Limited



W. D. MOFFATT
President and Managing Director
Eddy Paper Company Limited



C. L. GUNDY



F. A. RIDDELL
President
Weston Bakeries Limited



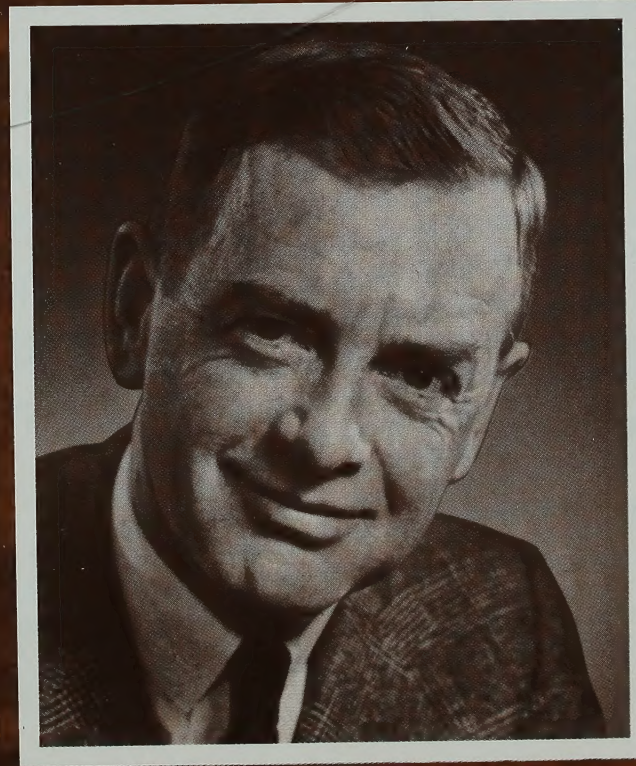
F. CLIFFORD LENNOX
President and General Manager
Somerville Industries Limited



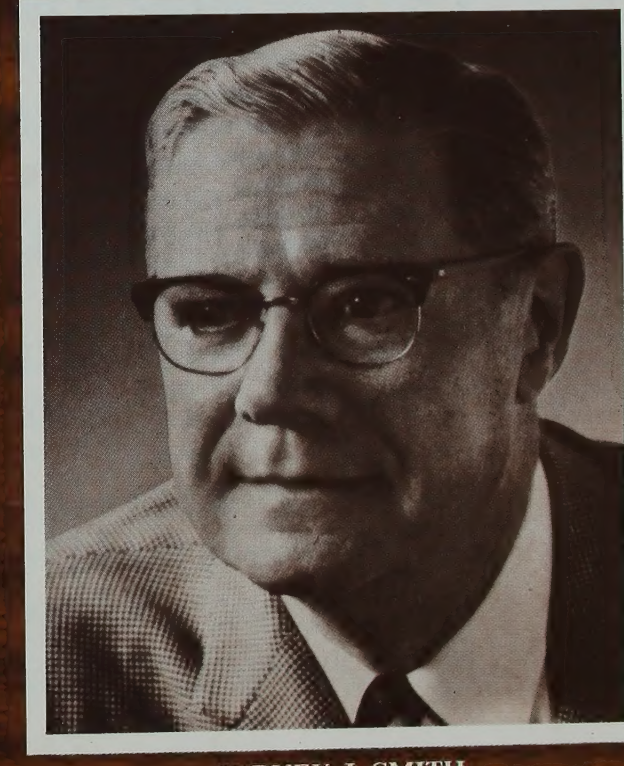
E. L. JONES, C.A.
Secretary and Treasurer
George Weston Limited



G. E. CREBER, Q.C.



W. STRUAN ROBERTSON, Q.C.



SYDNEY J. SMITH
President
William Neilson Limited

President's Report to Shareholders

New Records

1965 was another notable year of excellent profit results. Operations were highlighted by . . . increased earnings per share . . . higher sales volume . . . and further growth gains . . . throughout all your Company's broadly diversified international sphere of activities.

- **Net profits attained an unprecedented high of over \$17 million.**
- **Earnings per share increased 14.7% to a new record of \$1.56.**
- **Sales and production volume topped all previous levels.**
- **Dividend payments to Weston shareholders totalled nearly \$6½ million, over 42½% of prior year profits.**

The record-breaking profit of the Weston organization demonstrates the ever increasing profit potential of your Company's wide-spread network of diversified consumer-oriented enterprises.

Peak Earnings

Consolidated net profit for the year 1965 reached an all time peak, up \$2,075,791 to a new record of \$17,102,943.

Earnings per share were up 14.7%, from \$1.36 to \$1.56, again setting a new profit record.

The Weston profit trend is a record of solid uninterrupted growth. The 15 year progress summary included in the Report shows that profits have increased tenfold in this period—from \$1.7 million in 1951, to over \$17 million in 1965.

Per share earnings have built up from 15¢ to \$1.56, again a tenfold increase. Common share dividends have been stepped up over \$4¾ million in this fifteen year span.

In just 5 years, dividends have more than doubled.

During 1965 the surrender of share purchase warrants resulted in the issue of 31,098 Class A shares.

Total assets of George Weston Limited and its consolidated subsidiaries today are \$259 million, compared with \$120 million 5 years ago.

Rising Sales

Total sales of the consolidated group of Weston companies increased in 1965 to \$525,621,000, compared with \$498,932,000 in 1964.

In accordance with current reporting requirements both these sales figures have been reduced in the Consolidated Statement of Income by the elimination of intercompany sales between the various units of the consolidated Weston organization.

In view of the fact that the records necessary to make the required intercompany adjustments to sales figures for prior years, are not readily available, sales figures are not shown in the 15 year statistical summary included in this Report.

Higher Dividends

The annual dividend rate on the Class A and Class B Shares was increased from 45¢ to 55¢ per share in April, 1965. Shareholders received four quarterly

dividends in 1965, totalling 50¢ per share, compared to 42½¢ received during 1964.

Regular quarterly dividends were paid on the outstanding preference shares. Total dividends in 1965 were \$6,414,662, compared with \$5,496,889 the previous year. Payments to Class A and Class B Shareholders totalling \$5,432,866 were up \$920,014. The current 55¢ annual rate for the Common Shares is equal to over 40% of the prior year's earnings per share after deducting preference share requirements.

Your Company continues to pay out to shareholders as large a portion of available profits as possible, commensurate with the financial demands and cash requirements of an expanding growth enterprise.

Weston's enjoys an enviable dividend record. The first dividend was declared in 1930, two years after incorporation. Since then, dividend payments have been made on a regular, and ever increasing, basis.

The dividend paid on April 1, 1966, marked the 145th consecutive quarterly payment made to shareholders.

Corporate Growth

Weston's history is a story of growth.

From total assets of \$1 million in 1928, to almost \$260 million today;

From a single plant in Toronto, to a complex of production facilities stretching across the continent;

From bakery lines only, to a wide range of consumer products;

From manufacturing operations alone, to participation in all sectors of the food business;

From growing membership in the food industry, to eminent leadership in the international marketplace.

Diversification has highlighted Weston's bright pattern of progress in recent years. In addition to its expanding dominance in the giant and fast-growing North American food industry, your Company has attained a position of prominence in marketing, wholesaling and retailing and other major growth industries, including paper, plastics and packaging.

Multiple expansion and planned diversification have broadened the earnings base—enlarged the scope of

activities—paved the way to bigger profits—created rising potential for the future.

“Weston's”, with established records of success, today embraces many famous names, many fields of endeavour, all progressive companies, all industry leaders.

The “Weston's” label has long been a hallmark of quality in the biscuit trade.

The Weston Companies are first in many fields . . . in the manufacture of Biscuit, Bread, Chocolate, Confectionery and other food products.

Notwithstanding the holding company activities of **George Weston Limited**, the “Operating Division” of the parent company, continues very much a part of the production complex.

Weston's quality products are being made in ever increasing quantity and sold all across Canada.

“Weston's” is also well known in the United States where **Weston Biscuit Co. Inc.** has major biscuit plants in the States of Michigan, New Jersey, Washington and California. **Southern Biscuit Company** is famous

everywhere in America for the quality of its “Fine Foods of Virginia” range of biscuit products.

The “Weston’s” and “Sunbeam” labels are well known in the Canadian bread industry. These and other fine bakery products are distributed in most parts of Canada from **Weston Bakeries Limited’s** 13 plants located from coast to coast.

Weston’s more broadly diversified interests include leadership participation in the paper industry through its subsidiary **Eddy Paper Company Limited**, producers of newsprint and paperboard for the domestic and export markets, specialists in fine papers, and manufacturers of a wide group of industrial, commercial and consumer paper products.

Eddy Paper Company’s well integrated operations comprise extensive timber limits, hydro-electric developments and a modern complex of production and processing facilities.

Skilled paper-makers for more than a century, Eddy Paper to-day is, more than ever, an aggressive, expanding business, one of the largest industrial operations in the Nation’s capital area, constantly looking to the future and moving ahead rapidly with the rising market potential.

In 1965, Eddy purchased all the outstanding shares of J. E. Boyle Limited, of Davidson, Quebec. The acquisition of this desirable business adds substantial lumbering, milling and manufacturing facilities, and further extends the diversification of Eddy’s extensive operations.

High on the list of Weston companies is **William Neilson, Limited**. Neilson is Canada’s foremost producer of the finest quality chocolate products, the famous Neilson Ice Cream and a wide variety of processed milk products.

Neilson’s Jersey Milk Chocolate is unequalled anywhere and is Canada’s biggest selling milk chocolate bar.

Neilson's reputation for renowned quality began with the manufacture of its matchless quality ice cream and has maintained its pre-eminent position of leadership. Neilsons stands for excellence in the art of chocolate making.

Quality begins with the best of fresh ingredients, with the purchase of the finest selected cocoa beans procurable and the use of only farm-fresh milk daily, processed to strict specifications in the company-owned dairy plant in Beachville, Ontario.

Weston's further diversification extends, through **Somerville Industries Limited** and its subsidiaries, into many areas of the packaging and plastic fabricating industries.

Somerville has moved quickly to the forefront of the folding carton and container industry, has made tremendous strides in the production of plastic products, and is further expanding its automotive components division. This company also has extensive facilities devoted to packaging design, lithographing, point of purchase displays, toys, games and novelties.

Somerville operates ten plants . . . seven in Ontario, others in Montreal, Winnipeg and Vancouver. The largest, in London, occupies 325,000 sq. ft. The newest is the Bramalea plastic factory . . . and, for occupancy in 1966, a big new auto-components building near Windsor, Ontario.

Since acquisition by Weston's in 1957, Somerville's annual net earnings have grown considerably and its future potential is excellent.

In the field of distribution **Westfair Foods Limited** and its subsidiaries, is the largest wholesale food distributor west of the Great Lakes. Over fifty warehouses and other extensive facilities provide a complete range of grocery and produce items for the retailers and the Company's own affiliates from the Lakehead to the Pacific . . . from the United States' border to the Arctic Circle.

Nine years before Confederation, and only 4 years after London, Ontario attained cityhood, **McCormick's Limited** commenced operations in this great Canadian city.

For over one hundred years, McCormick's has been one of the best known and most respected producers of quality biscuit and candy products in Canada.

To-day McCormick's nationwide network of branch locations services all of Canada, with an extensive range of nationally known biscuit, chocolate and confectionery lines produced and packaged with the highest tradition of quality.

West of the Great Lakes, **Paulin Chambers Co. Ltd.** is Western Canada's leading manufacturer of biscuits and confectionery, with production operations in Winnipeg and distribution facilities as far west as the Pacific Ocean.

Willards Chocolate Company Limited, makers of superb quality chocolate bars, chocolate covered candy bars and the nationally known favourite "Sweet Marie" chocolate candy bar. Willards is a swiftly moving company that has steadily expanded its product out-

put into a broad range of chocolate and confectionery products distributed coast to coast under the "Willards" label.

In Canada's Maritime Provinces are two traditionally great names in biscuits. **Marven's Limited** in Moncton and **G. J. Hamilton and Sons Ltd.**, in Pictou.

During the past year **Lane's Bakeries Limited**, Moncton, N.B., one of the finest producers and distributors of bakery products throughout the Maritime provinces, became a proud member of the Weston group of companies.

Weston's principal diversification extends to a commanding position in the North American retail and merchandising market. Weston's investments include voting control in **Loblaw Companies Limited**, which in turn has voting control of **National Tea Co.**, Chicago and **Loblaw Inc.**, Buffalo.

The Loblaw-National Companies represent one of the largest food retail groups in the world.

Loblaws who pioneered the supermarket industry in Canada, has always been a pace-setter in innovation and expansion, and is to-day recognized as Canada's leading retail food organization.

Operating results for the 1965 fiscal year ended May 29, 1965 showed record sales and earnings, and substantial corporate growth.

National Tea Co. of Chicago has moved quickly to the forefront of the U.S. supermarket industry. National to-day is the fifth-largest food chain in America. Sales in 1965 of nearly \$1.2 billion were the highest on record. Net Profits gained 6.4% to an all-time high of \$11.3 million.

National's extensive network of modern markets spreads across the Midwestern States, north to the Great Lakes, south through the Mississippi Valley to New Orleans . . . 964 retail units plus up-to-date warehouses, distribution centres, bakeries, packing plants and processing facilities.

National has kept pace with progress . . . is fully-equipped to share in the future of a growing America. **Prospects are excellent for higher profits in 1966.**

Loblaw Inc., a chain of 150 modern supermarkets located principally in Northern New York State and adjacent areas, last year extended its geographical diversification into a new major market—California.

With the acquisition of a supermarket chain in Los Angeles, Loblaw Inc. is poised to participate in the growth prospects of the fastest-growing area in the United States. California . . . already the largest state in the union population-wise . . . is expected to soar in ten years to a population of 23,230,000 people . . . 5 million persons more than second-running New York State.

In addition, the Los Angeles metropolitan area, in which Loblaw Inc. is locating, should grow faster during this period than any other metropolitan area in the whole United States.

Loblaw Inc. is planning *now* its future place in the pattern of progress.

Management

Last November, Dr. Melvin C. Allen retired from the position of Vice-President of George Weston Limited. In acknowledging his most valuable contributions to the progress of the Weston organization, as a Company officer and operating executive, the directors extend to Dr. Allen sincere best wishes for a long and successful life, full of health and contentment.

On June 8, 1965, Mr. Frank A. McCormick, President of McCormick's Limited died at the age of 86 years.

Mr. McCormick's long and distinguished business career extended over 59 years of achievement in the development and direction of McCormicks.

Although the biscuit and candy business founded by his father in 1858 was acquired by George Weston Limited in 1937, Mr. McCormick continued until his death to retain a very active interest in its affairs.

His memory will be long remembered and revered throughout the Weston Group of Companies.

Appreciation

Progress at Weston's is the product of many people, performing many different functions, in many different areas of activity.

The outstanding attainments of the past year reflect the specialized leadership skills of enthusiastic management, the excellent job-performance of thousands of trained men and women throughout the organization, the immense and increasing value of growing customer patronage, the continuing confidence and support of our shareholders, the prized friendly relations with our suppliers and associates.

Loyalty, co-operation and customer satisfaction are important elements in Weston's successful growth policy.

Outlook

To men of vision, the future is always full of promise. To men of imagination, opportunities are always bigger than problems.

Nowhere in the world is change travelling faster, or progress moving swifter, than here on the booming North American continent.

No nation has brighter prospects than Canada.

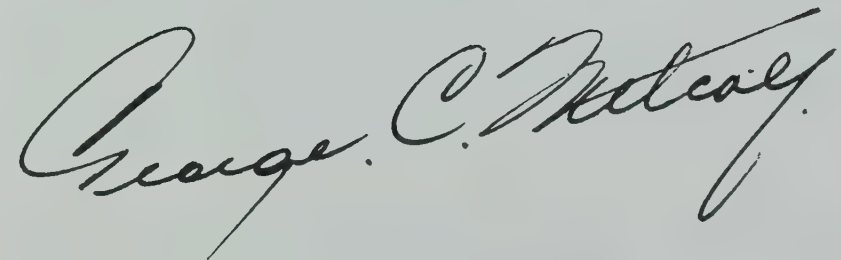
Canada stands proudly in the open doorway to her 100th Birthday celebration. July 1, 1967 marks the Centennial of Confederation, an historic occasion for Canada—and for the whole world . . . the grandest event yet in the glowing annals of this vibrant young giant of a nation.

Canada to-day is thriving with industry . . . with commerce . . . with enterprise . . . a 10-province nation, a prosperous young country, with living standards among the highest in the world.

Your Company has recognized the pulse of progress, the direction of development, the tremendous advantages of judicious diversification . . . and keynoted its successful growth plans accordingly.

Weston's to-day is bigger . . . more solidly-based than ever before—well-established in the rich and flourishing North American market-place, and with the added strength and stability of product and geographic diversification.

As we look to the future, corporate horizons have been vastly extended, ranges of interests have greatly broadened, markets have multiplied, new profit channels have opened up, new performance heights have been reached, profit potential has increased. Prospects for the year ahead are greater than ever.

A handwritten signature in dark ink, reading "George C. Melcaly". The signature is fluid and cursive, with the first name "George" being larger and more prominent than the last name "Melcaly".

President and Managing Director

George Weston Limited

Source and Application of Funds Year ended December 31, 1965

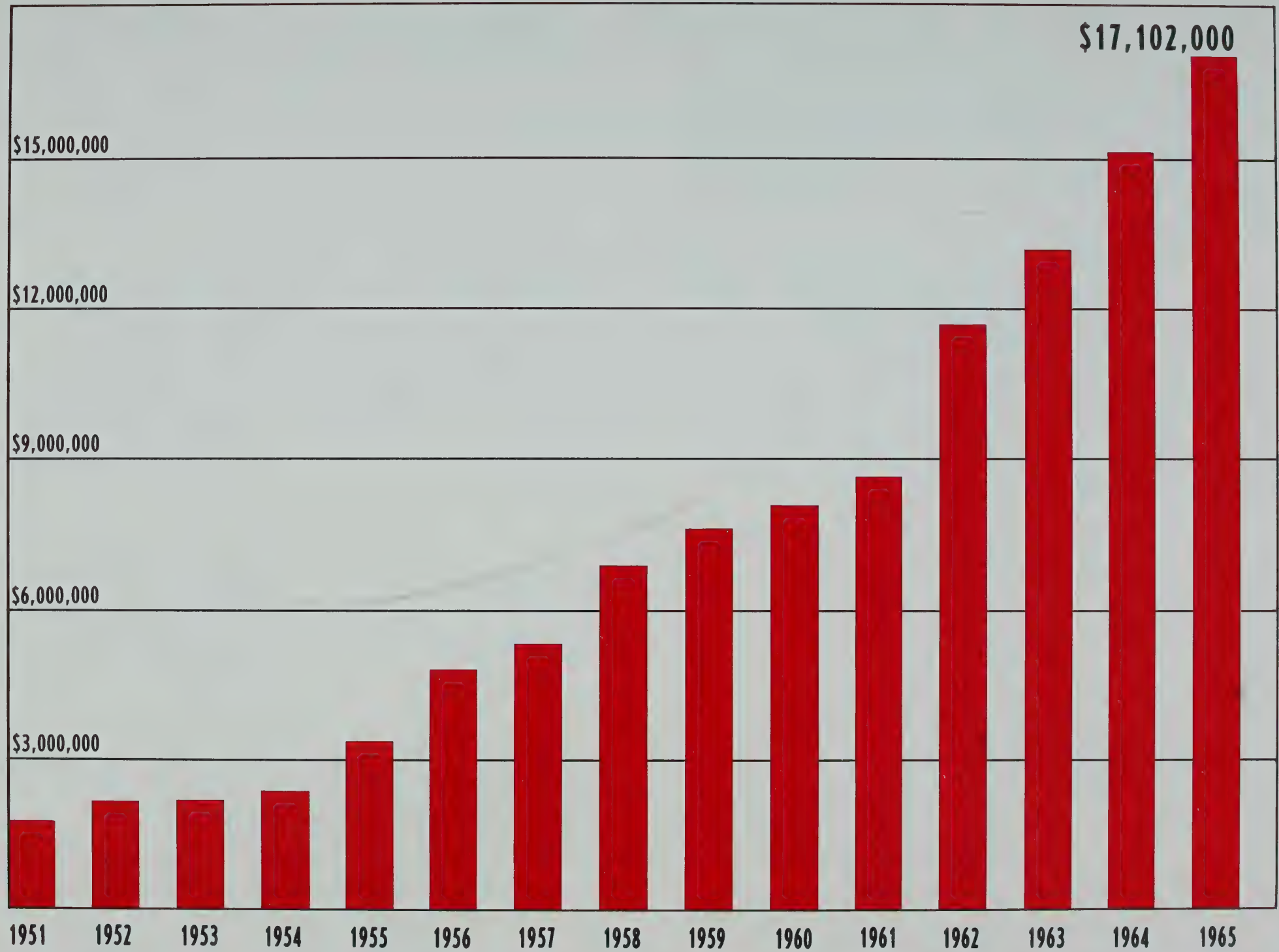
Source of Funds

	<u>1965</u>	<u>1964</u>
Net profit for year - - - - -	\$ 17,102,943	\$ 15,027,152
Depreciation charged to operations - - - - -	8,224,375	7,154,796
	<u>\$ 25,327,318</u>	<u>\$ 22,181,948</u>
Net decrease (increase) in investments - - - - -	3,665,817	(4,713,781)
Increase in capital stock - - - - -	235,282	72,574
	<u>\$ 29,228,417</u>	<u>\$ 17,540,741</u>

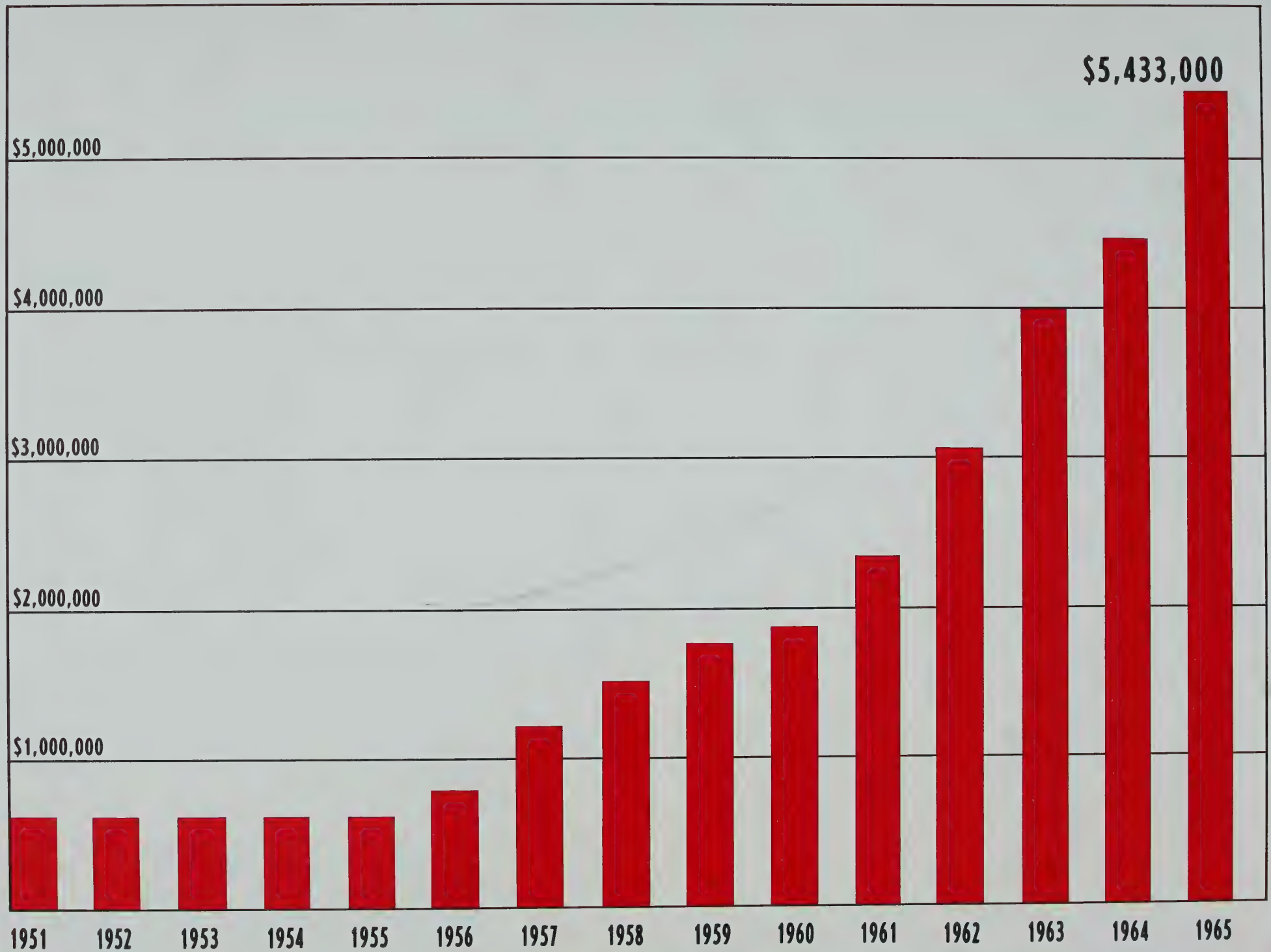
Application of Funds

Dividends to shareholders		
Preferred - - - - -	\$ 981,796	\$ 984,037
Common - - - - -	5,432,866	4,512,852
Total - - - - -	<u>\$ 6,414,662</u>	<u>\$ 5,496,889</u>
Decrease in funded indebtedness - - - - -	1,415,848	2,133,064
Net increase in fixed assets - - - - -	22,041,726	12,437,136
Net excess cost of shares acquired over net book values thereof (recovery of goodwill in 1964) - - - - -	1,823,716	(1,298,562)
Sundry items, net changes in real estate carrying charges, minority interest and deferred charges - - - - -	1,246,362	735,364
	<u>\$ 32,942,314</u>	<u>\$ 19,503,891</u>
Decrease in working capital - - - - -	3,713,897	1,963,150
Working capital at beginning of year - - - - -	61,937,065	63,900,215
WORKING CAPITAL AT END OF YEAR - - - - -	<u>\$ 58,223,168</u>	<u>\$ 61,937,065</u>

NET INCOME



COMMON DIVIDENDS



George Weston Limited

Consolidated Statement of Income Year ended December 31, 1965

	1965	1964*
TOTAL COMPANIES' SALES - - - - -	\$ 525,621,000	\$ 498,932,000
Less: Intercompany sales - - - - -	<u>39,702,000</u>	<u>36,284,000</u>
CONSOLIDATED SALES - - - - -	<u>\$ 485,919,000</u>	<u>\$ 462,648,000</u>
INCOME FROM OPERATIONS , including current year's amortization of the real estate carrying charge reserve, and before the undernoted items - - - - -	35,432,912	33,045,690
add:		
Dividend income:		
Non-consolidated subsidiaries - - - - -	\$ 2,081,540	\$ 1,455,432
Others - - - - -	<u>63,208</u>	<u>149,453</u>
	2,144,748	1,604,885
Profit realized from investments and fixed assets - -	<u>1,036,024</u>	<u>1,093,354</u>
	38,613,684	35,743,929
deduct:		
Directors' salaries, fees and other emoluments - - -	385,000	365,000
Depreciation - - - - -	8,224,375	7,154,796
Interest on funded indebtedness - - - - -	2,673,004	2,805,653
Other interest - - - - -	<u>1,995,597</u>	<u>1,947,178</u>
	13,277,976	12,272,627
INCOME BEFORE TAXES - - - - -	25,335,708	23,471,302
Taxes on income (note 5) - - - - -	<u>7,518,357</u>	<u>7,516,000</u>
	17,817,351	15,955,302
Minority interest in income - - - - -	<u>714,408</u>	<u>928,150</u>
NET PROFIT FOR YEAR - - - - -	<u>\$ 17,102,943</u>	<u>\$ 15,027,152</u>

*Certain 1964 figures have been reclassified for purposes of comparability with 1965 data presented in accordance with the requirements of the new Canada Corporations Act.

George Weston Limited

Consolidated Statement of Retained Earnings Year ended December 31, 1965

	<u>1965</u>	<u>1964</u>
RETAINED EARNINGS—at beginning of year - - - - -	\$ 91,278,365	\$ 80,449,540
add: Net profit for year - - - - -	<u>17,102,943</u>	<u>15,027,152</u>
	108,381,308	95,476,692
deduct:		
Dividends		
Preferred Shares		
First Series - - - - -	\$ 501,796	\$ 504,037
Second Series - - - - -	<u>480,000</u>	<u>480,000</u>
	<u>981,796</u>	<u>984,037</u>
Common Shares		
Class A - - - - -	3,272,296	2,712,381
Class B - - - - -	<u>2,160,570</u>	<u>1,800,471</u>
	<u>5,432,866</u>	<u>4,512,852</u>
	6,414,662	5,496,889
	101,966,646	89,979,803
deduct:		
Net excess cost of shares acquired over net book values		
thereof (recovery of goodwill in 1964) - - - - -	<u>1,823,716</u>	<u>(1,298,562)</u>
RETAINED EARNINGS—at end of year - - - - -	<u>\$ 100,142,930</u>	<u>\$ 91,278,365</u>

George We

Consolidated Balance Sheet.

<u>Assets</u>		<u>1965</u>	<u>1964</u>
CURRENT ASSETS			
Cash - - - - -	\$ 4,059,139		\$ 7,501,554
Short term investments - - - - -	—		1,500,000
Accounts receivable, less allowance for doubtful accounts (note 2) -	40,734,242		36,966,304
Inventories, at the lower of cost and market - - - - -	72,598,667		66,411,469
Prepaid expenses - - - - -	<u>1,802,201</u>	\$ 119,194,249	<u>1,950,208</u> \$ 114,329,535
INVESTMENTS			
Shares in subsidiary companies not consolidated, at cost (note 3) -	23,657,352		24,238,182
Sundry investments, at cost (note 3) - - - - -	2,947,793		3,858,918
Secured loans and advances - - - - -	4,183,663		6,394,899
Life insurance, cash surrender value - - - - -	<u>430,600</u>	31,219,408	<u>393,226</u> 34,885,225
PREFERRED SHARE SINKING FUND ASSETS - - - - -		500,000	500,000
FIXED ASSETS			
Land, buildings, plant and equipment, at cost - - - - -	215,129,132		189,077,439
Less: Accumulated depreciation (including depletion of \$ 2,872,846)	<u>107,378,430</u>	107,750,702	<u>95,144,088</u> 93,933,351
DEFERRED CHARGES TO OPERATIONS - - - - -		496,376	373,706

Approved on behalf of the Board,
W. GARFIELD WESTON GEORGE C. METCALF
Directors

The accompanying notes are an integral part of these statements.

\$ 259,160,735

\$ 244,021,817

on Limited

... as at December 31, 1965

<u>Liabilities</u>		1965	1964
CURRENT LIABILITIES			
Accounts and notes payable - - - - -	\$ 49,606,426		\$ 44,667,202
Notes payable to bank by subsidiary - - - - -	2,000,000		—
Taxes payable (note 5) - - - - -	4,804,714		3,590,272
Dividends payable - - - - -	1,517,681		1,254,912
Portion of funded indebtedness payable within one year - - - - -	3,042,260	\$ 60,971,081	2,880,084 \$ 52,392,470
FUNDED INDEBTEDNESS (note 4) - - - - -		51,918,092	53,333,940
MINORITY INTERESTS			
Relating to preferred and common shares of consolidated subsidiaries		10,035,674	10,380,731
PREFERRED SHARE SINKING FUND RESERVE - - - - -		500,000	500,000
REAL ESTATE CARRYING CHARGE RESERVE (note 6) - - - - -		2,322,528	3,101,163
<u>Shareholders' Equity</u>			
CAPITAL STOCK			
Authorized:			
365,515 Cumulative Redeemable Preferred Shares, par value \$100 each, issuable in series, less 4,233 previously redeemed.			
9,750,000 Class A Shares without par value			
7,200,000 Class B Shares without par value			
Issued and fully paid: (note 8)			
111,282 Preferred Shares, 4½% First Series (111,728 in 1964) -	11,128,200		11,172,800
80,000 Preferred Shares, 6% Second Series - - - - -	8,000,000		8,000,000
191,282	19,128,200		19,172,800
Common			
6,240,635 Class A Shares (6,209,537 in 1964)			
4,115,376 Class B Shares (4,115,376 in 1964)			
10,356,011	14,142,230		13,862,348
	33,270,430		33,035,148
RETAINED EARNINGS (note 9) - - - - -	100,142,930	133,413,360	91,278,365 124,313,513
		\$ 259,160,735	\$ 244,021,817

Notes to 1965 Consolidated Financial Statements

Note 1 Principles of consolidation

Subsidiary companies in the consolidation have been consolidated on a basis consistent with prior years.

The assets and liabilities and income and expenses of Loblaw Companies Limited and its subsidiary companies are not consolidated with George Weston Limited and its subsidiary companies in the financial statements contained in this report. Although George Weston Limited has full voting control of Loblaw Companies Limited through ownership of 58.5% of the outstanding Class B voting shares of Loblaw Companies Limited, its holdings of the combined Class A non-voting shares and Class B voting shares is less than a majority of the total participating shares outstanding.

The accounts of the United States subsidiaries are included in the consolidated statements at par of exchange.

Note 2 Accounts Receivable

Included in accounts receivable is an amount, arising from trade accounts and other current transactions, of \$2,206,625 due from subsidiaries not consolidated.

Note 3 Investments

Shares in subsidiary companies not consolidated includes shares in Loblaw Companies Limited having a quoted market value of \$58,300,000, at a cost of \$20,274,339, and preferred shares of subsidiaries of Loblaw Companies Limited, without a quoted market value, at a cost of \$3,383,014.

Sundry investments includes shares, with quoted market values of \$1,715,000, at a cost of \$1,575,524. Realizable value of the balance of sundry investments is estimated to be not less than cost.

Note 4 Funded indebtedness

Funded indebtedness consists of the following after deducting amounts payable within one year and included in current liabilities:

George Weston Limited

Initial Series—4¾%, 15 year Sinking fund debentures due January 15, 1968	- - - - -	\$ 2,800,000
Series B—4¾% Sinking fund debentures due October 15, 1971	- - - - -	6,500,000
Series C—4⅞% Serial debentures due May 15, 1967 and 1968	- - - - -	\$ 1,050,000
5¼% Sinking fund debentures due May 15, 1969 to 1982	- - - - -	11,850,000
Series D—5% Serial debentures due May 15, 1967 and 1968	- - - - -	1,050,000
5½% Sinking fund debentures due May 15, 1969 to 1983	- - - - -	12,375,000
		<u>13,425,000</u>
		<u>\$35,625,000</u>

Eddy Paper Company Limited

First Mortgage Bonds

1954 Series—4% Sinking fund bonds due October 1, 1974	- - - - -	\$ 6,900,000
1955 Series—4% Sinking fund bonds due June 1, 1975	- - - - -	3,600,000
		<u>\$10,500,000</u>

Somerville Industries Limited

First Mortgage Bonds

Series A—5¼% Sinking fund bonds due October 15, 1973	- - - - -	\$ 1,410,150
Series B—6% Sinking fund bonds due June 15, 1977	- - - - -	1,800,000
		<u>\$ 3,210,150</u>

Funded indebtedness of other subsidiaries	- - - - -	\$ 957,268
Notes, mortgages and other long-term liabilities	- - - - -	1,625,674
Total funded indebtedness	- - - - -	<u>\$51,918,092</u>

Note 5 Income taxes

Taxes on income for the current year are after a reduction of approximately \$3,575,000 because of the intention of the Company to claim for tax purposes deductions to the extent of approximately \$7,000,000 in excess of the amount provided for the year in the accounts. The net amount of accumulated tax reductions at December 31, 1965 is approximately \$17,170,000.

Note 6 Real estate carrying charge reserve

The real estate carrying charge reserve originating from the excess of proceeds on sale over depreciated cost of properties sold, now under long term leases, is being transferred to income on a basis which will amortize the reserve over a period from 14 to a maximum of 50 years from the dates of such sales. The reduction in this reserve during the current year consists of \$447,992 arising from the sale of leases (reflected in profit realized from fixed assets) and \$330,643 current year's amortization.

Note 7 Long term leases

The aggregate minimum rentals under long term leases (extending beyond five years from the balance sheet date) in effect at December 31, 1965 are as follows for each of the periods shown:—

1966 - 1970	\$12,396,000
1971 - 1975	9,758,000
1976 - 1980	6,048,000
1981 - 1985	3,951,000
1986 - 1990	2,533,000
After 1990	3,225,000
	<u>\$37,911,000</u>

Note 8 Capital stock

The Cumulative Redeemable Preferred Shares First Series and Second Series are redeemable at \$104 and \$105 respectively. During the year the Company purchased for cancellation, under the terms of the Trust Indenture, 446 Preferred Shares 4½% First Series.

The Class A non-voting shares carry a non-cumulative preferential dividend of 8⅓¢ per share per annum after payment of dividends on the preferred shares, and participate equally with Class B voting shares after payment of 8⅓¢ per share on the latter.

During the year 31,098 Class A shares of George Weston Limited were issued for \$279,882 on the exercise of rights outstanding under share purchase warrants. Outstanding share purchase warrants at December 31, 1965, which expire on October 15, 1966, entitle the holders to purchase 569,349 Class A shares of the company, as now constituted, for a total consideration of \$5,124,141.

Note 9 Retained earnings

Retained earnings includes an amount of \$423,300 set aside as Capital Surplus re the redemption of preferred shares as required by Section 61 of the Canada Corporations Act.

Note 10 Contingent liabilities

Contingent liabilities, relating mainly to third party guarantees, amount to approximately \$3,000,000.

Note 11 Non-consolidated subsidiaries

The Company's proportion of the undistributed profits of Loblaw Companies Limited and Loblaw Groceries Co., Limited, earned since the dates of acquisition of the shares of these companies is \$27,410,000.

For the year ended May 29, 1965, the Company's proportion of the profit of Loblaw Companies Limited and subsidiary companies was \$6,043,411, less dividends paid of \$1,626,068, leaving an unpaid equity in the profits of \$4,417,343.

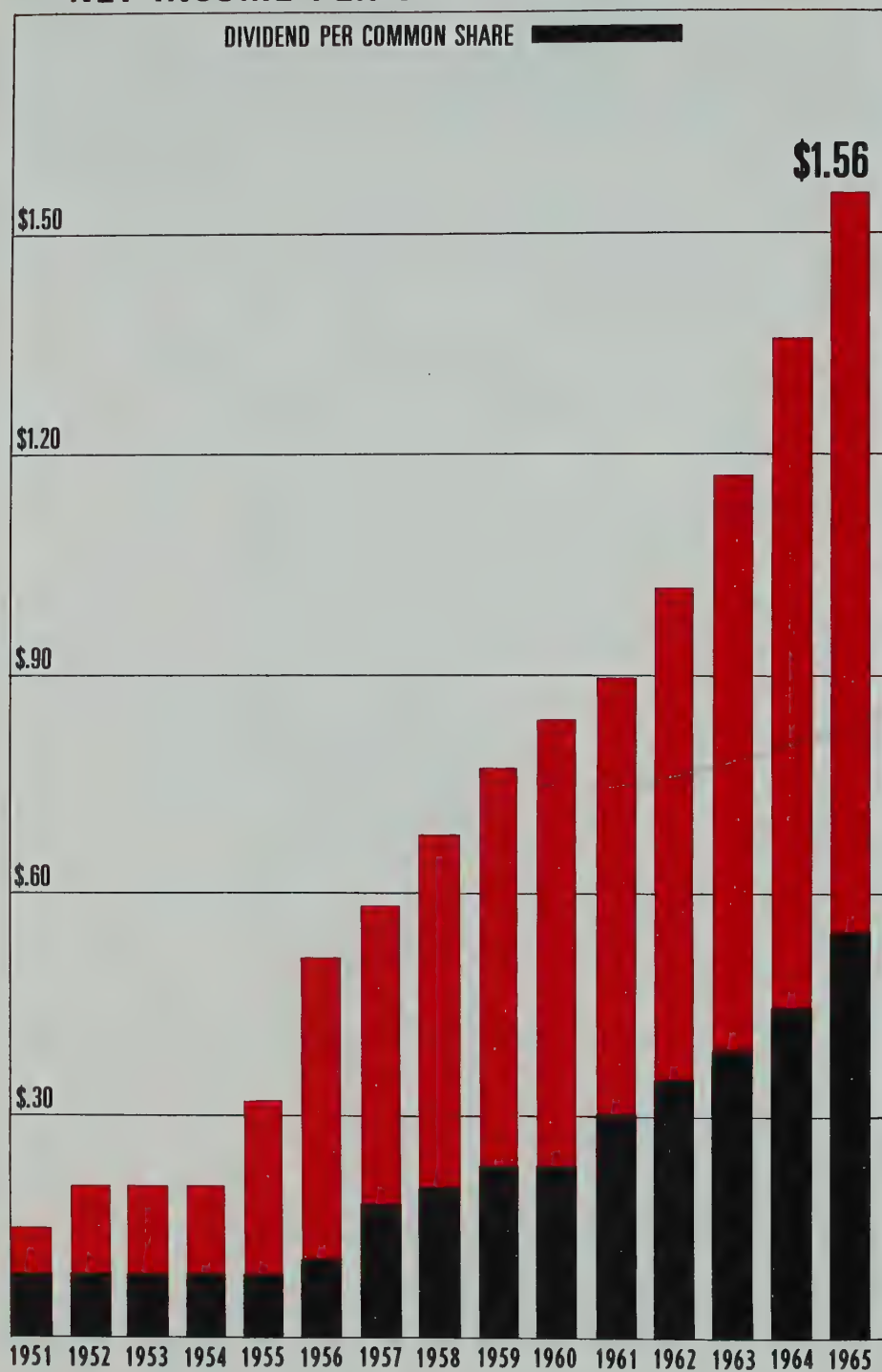
Remuneration of directors of George Weston Limited from subsidiaries whose financial statements are not consolidated herein is \$54,500.

At December 31, 1965 non-consolidated subsidiaries held 150,925 common shares of the Company.

NET INCOME PER COMMON SHARE



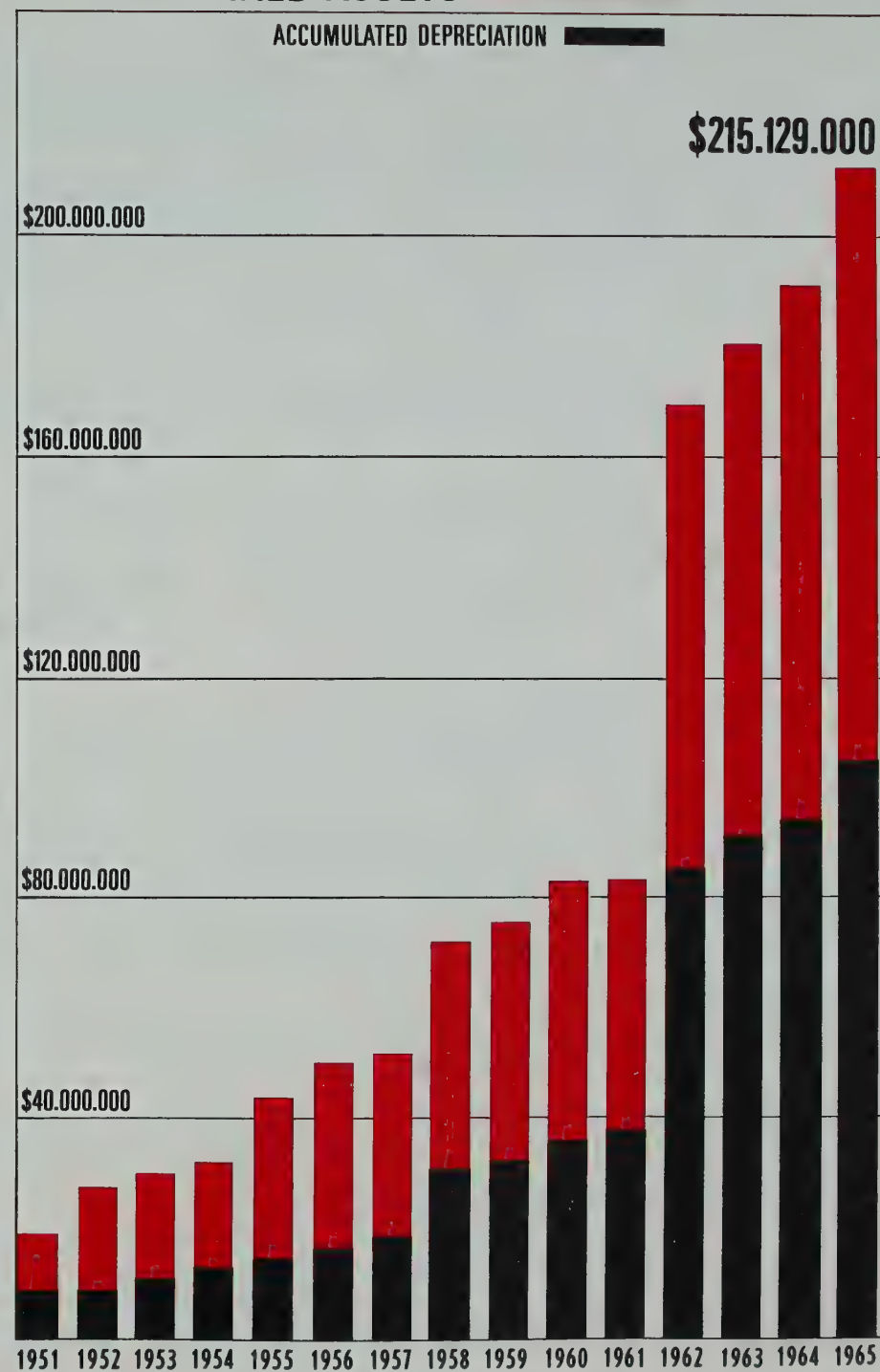
DIVIDEND PER COMMON SHARE



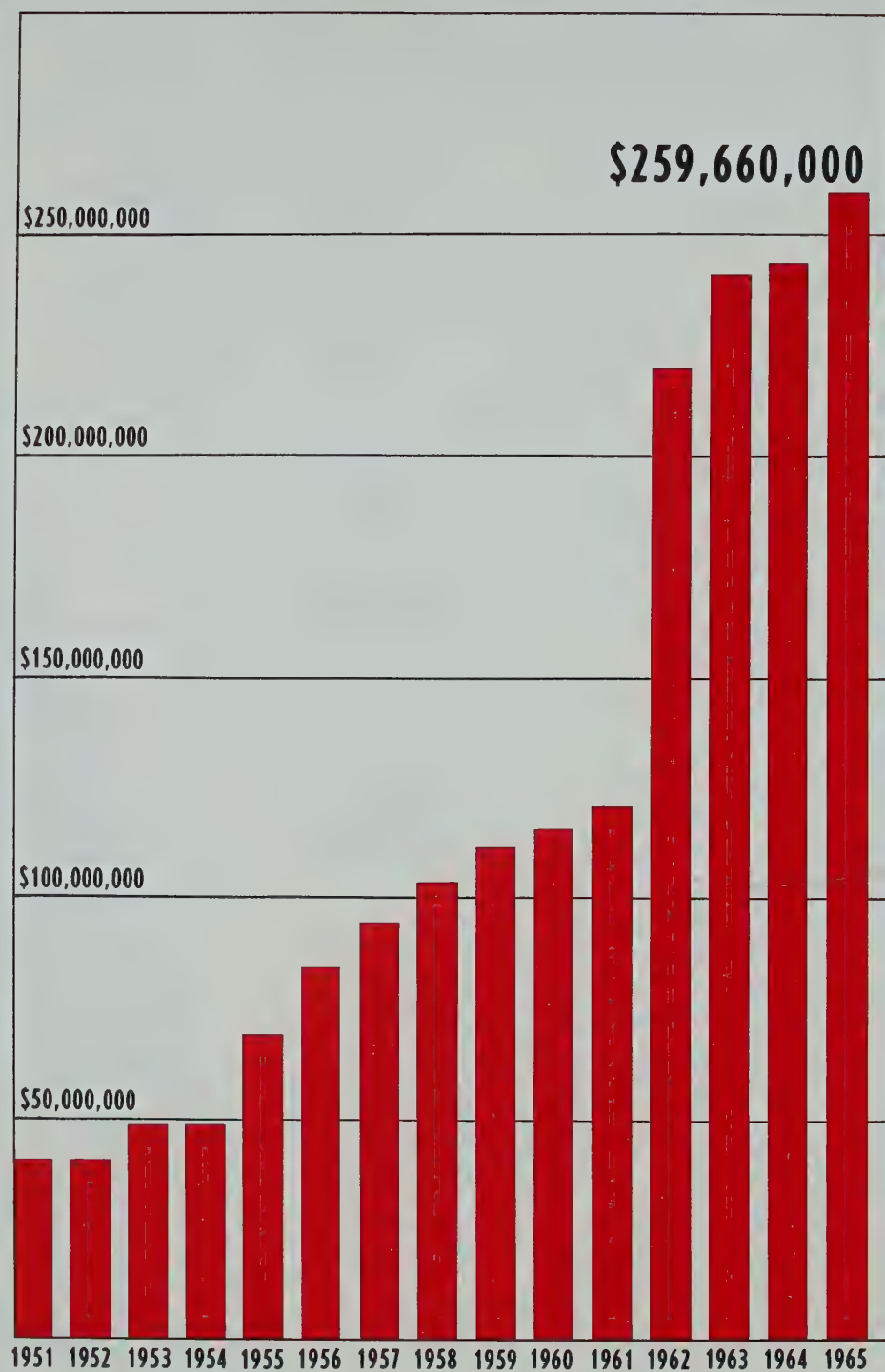
FIXED ASSETS



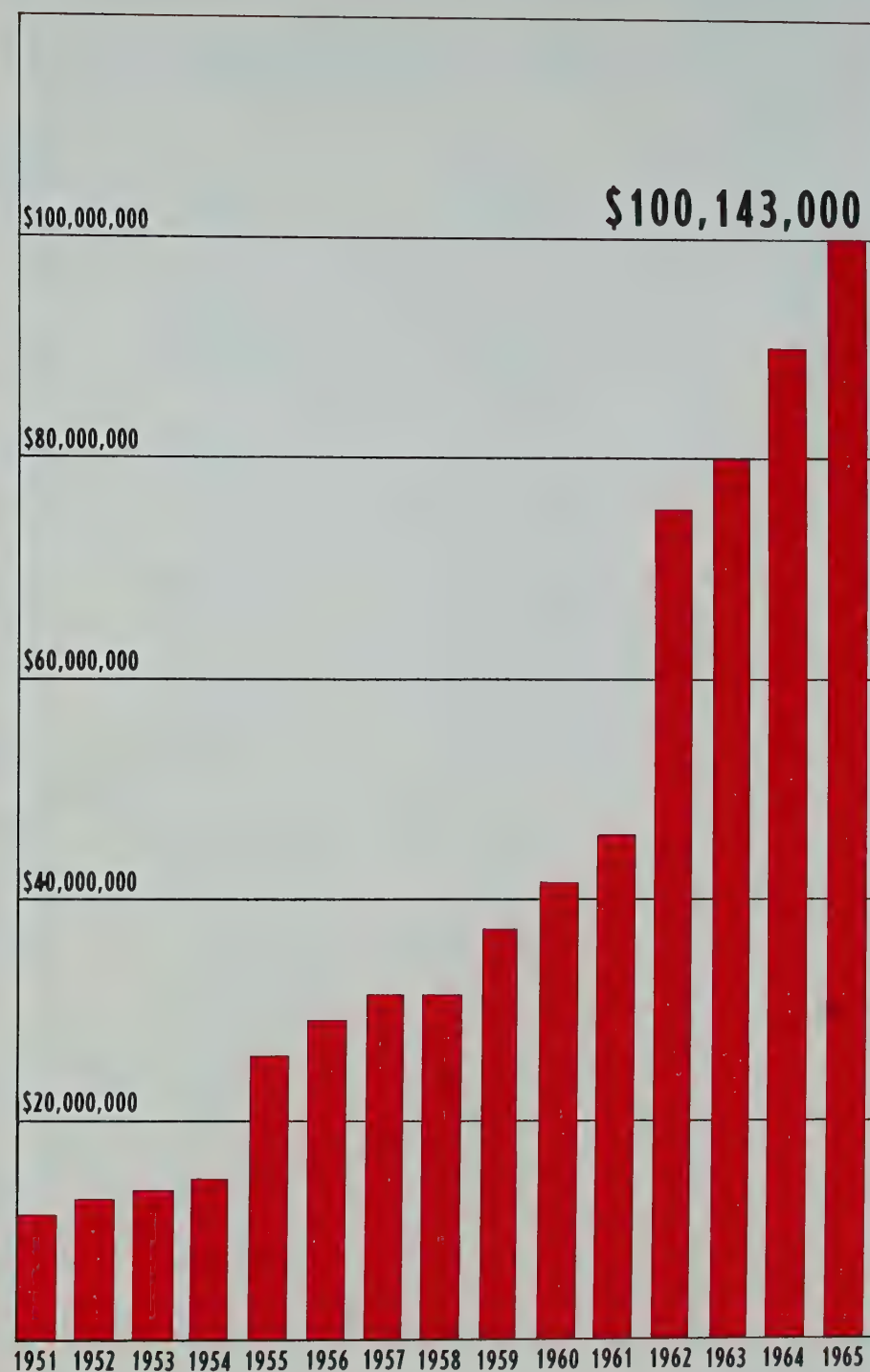
ACCUMULATED DEPRECIATION



TOTAL ASSETS



RETAINED EARNINGS



George Weston Limited

Fifteen Year Statistical Summary

Year	Working Capital	Total Assets	Common Shareholders' Equity	Profits After Taxes	Preferred Dividends	Common Dividends	Earnings Per Common Share
1951	\$ 10,065,060	\$ 37,766,671	\$ 16,773,764	\$ 1,678,986	\$ 443,772	\$ 642,709	\$ 0.15
1952	10,569,884	38,525,060	17,740,520	2,289,660	540,000	685,896	0.21
1953	10,337,810	47,273,817	18,395,995	2,301,501	534,259	685,896	0.22
1954	11,522,318	47,206,289	19,408,943	2,342,499	531,732	685,896	0.22
1955	12,762,909	68,857,899	29,793,203	3,168,189	531,045	685,896	0.32
1956	22,710,014	84,971,454	34,340,213	4,823,103	528,665	788,780	0.52
1957	24,067,447	93,558,988	37,493,276	5,443,579	614,474	1,234,612	0.59
1958	28,654,369	101,809,431	37,449,028	6,790,558	999,848	1,577,693	0.70
1959	21,526,421	110,871,054	42,037,214	7,399,870	999,827	1,853,340	0.78
1960	23,250,239	116,626,542	47,406,585	8,131,948	998,606	1,930,225	0.85
1961	26,083,099	120,474,316	52,844,716	8,533,821	992,484	2,369,680	0.90
1962	62,888,568	217,834,773	87,878,728	11,531,167	987,752	3,132,377	1.03
1963	63,900,215	241,585,670	94,129,314	13,046,805	987,751	3,984,489	1.17
1964	61,937,065	244,021,817	105,140,713	15,027,152	984,037	4,512,852	1.36
1965	58,223,168	259,160,735	114,285,160	17,102,943	981,796	5,432,866	1.56

THORNE, MULHOLLAND, HOWSON & McPHERSON
CHARTERED ACCOUNTANTS
TORONTO

OFFICES IN CANADA
VANCOUVER CALGARY EDMONTON SASKATOON
WINNIPEG LONDON KITCHENER GALT KINGSTON
MONTREAL SAINT JOHN MONCTON HALIFAX
OFFICES OUTSIDE CANADA
NASSAU AND FREEPORT IN BAHAMAS
BRIDGETOWN, BARBADOS

SUITE 902
111 RICHMOND STREET WEST
TORONTO 1, ONT.

TO THE SHAREHOLDERS
GEORGE WESTON LIMITED;

We have examined the consolidated balance sheet of George Weston Limited and its subsidiary companies as at December 31, 1965 and the consolidated statements of income and retained earnings for the year ended on that date. For George Weston Limited, and those subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For those subsidiaries of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors.

In our opinion the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings present fairly the consolidated financial position of George Weston Limited and its subsidiary companies as at December 31, 1965 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned statements, presents fairly the changes in working capital of George Weston Limited and its subsidiary companies for the year ended December 31, 1965.

Thorne, Mulholland, Howson & McPherson
Chartered Accountants

Toronto, Canada,
March 31, 1966

George Weston Limited

Consolidated Subsidiaries

G. J. HAMILTON & SONS, LTD., *Pictou, N.S.*,
soda and sweet biscuits for distribution throughout the Maritimes.

MARVEN'S LIMITED, *Moncton, N.B.*,
soda and sweet biscuits for distribution
in the Maritimes and Quebec.

McCORMICK'S LIMITED, *London, Ont.*,
soda and sweet biscuits, confectionery, ice cream cones and sipping straws
. . . national distribution.

WILLIAM NEILSON, LIMITED, *Toronto and Beachville, Ont.*,
cocoa, chocolate coatings, boxed chocolates and chocolate bars for national
distribution and export; ice cream for distribution in Central Ontario.

PAULIN CHAMBERS CO. LTD., *Winnipeg, Man.*,
soda and sweet biscuits and confectionery for distribution in Western Canada.

SOMERVILLE INDUSTRIES LIMITED, *London, Ont.*,
plants at Crumlin, Scarborough, Strathroy, Bramalea,
and Toronto, Ont.; Montreal, Quebec; and Winnipeg, Manitoba;
one of Canada's major suppliers of plastics and lithographed and
printed packaging materials.

WESTON BAKERIES LIMITED, *Toronto, Ont.*,
bread and cake bakeries at Montreal, Que.; Toronto, Kingston, Kitchener,
Kirkland Lake, Sudbury and Windsor, Ont.; Winnipeg, Man.; Regina,
Sask.; Calgary and Edmonton, Alta.;
Vancouver, B.C.; Moncton, N.B.

WESTFAIR FOODS LTD., *Winnipeg, Man.*,
wholesale distributors of fruit and groceries through branches and subsidiaries
in Western Canada from the head of the Great Lakes to the Pacific Coast.

WILLARDS CHOCOLATE COMPANY LIMITED, *Toronto, Ont.*,
chocolate coatings, chocolate bars, boxed chocolates and
confectionery products for national distribution.

EDDY PAPER COMPANY LIMITED, *Hull, Que.*,
pulp and paper plants at Hull and Ottawa, producing a wide range
of industrial and consumer paper products for distribution
throughout Canada and abroad.

WESTON BISCUIT COMPANY INC., *Passaic, N.J.*,
soda and sweet biscuit plants at Passaic, N.J.; Battle Creek, Mich.;
Burbank, Cal.; Southern Biscuit Company division, Richmond, Va.;
American-Superior Biscuit Company division, Tacoma, Washington.

PERRIN INVESTMENTS LIMITED
MEGARGY INVESTMENTS LIMITED
Toronto, Ont.,
holding companies for other company investments in
consolidated and unconsolidated subsidiaries and other companies.

TRANSFER AGENTS

NATIONAL TRUST COMPANY, LIMITED
Toronto, Montreal, Winnipeg, Edmonton and their agents:
Canadian Imperial Bank of Commerce, Charlottetown, Halifax, Saint John, Regina, Vancouver

THE DETROIT BANK AND TRUST COMPANY
Detroit, Michigan, U.S.A.

ADMINISTRATIVE OFFICES

Suite 1300, 25 King St. West, Toronto 1, Ontario

GENERAL COUNSEL

BORDEN, ELLIOT, KELLEY & PALMER



George Weston Limited